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# 4th Black sea Ports & Shipping 2015

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28.05.2015



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## Market Outlook



# Near-term global improvement centred on pick-up in US and Euro area

	Forecast Macro Developments	GDP forecast				
		pre-crisis*	2013	2014	2015	2016
<b>Global</b>	<b>Global growth to modestly pick up</b> <ul style="list-style-type: none"> <li>Despite the support from lower oil prices, the global economic recovery remains gradual,</li> <li>US to lead the recovery in 2015-16</li> </ul>	3.7	3.3	3.3	3.5	3.7
<b>US</b>	<b>Strong growth</b> <ul style="list-style-type: none"> <li>Improving consumption, housing and business investments, with positive upside if oil price remains low</li> <li>Business cycle risks in the longer years</li> </ul>	3.0	2.2	2.4	3.6	3.3
<b>Euro Area</b>	<b>A more sustainable, but not impressive recovery</b> <ul style="list-style-type: none"> <li>Lower oil prices, weaker euro and lower yields will help increase confidence, exports and economic growth</li> <li>Structural challenges remain from high debt and low investments</li> </ul>	2.1	-0.5	0.8	1.2	1.4
<b>China</b>	<b>A targeted soft landing</b> <ul style="list-style-type: none"> <li>Robust consumption while investments slows, consistent with government objectives</li> <li>Property investments will continue to be slow</li> </ul>	10.2	7.8	7.4	6.8	6.3
<b>Latin America</b>	<b>A pick-up from low growth levels</b> <ul style="list-style-type: none"> <li>Growth accelerates in 2015-16 following a weak 2014</li> <li>Brazil continues to struggle while the current Mexican reform agenda will yield faster economic growth there</li> </ul>	3.2	2.8	1.2	1.3	2.3
<b>Africa</b>	<b>Facing near term challenges</b> <ul style="list-style-type: none"> <li>Low commodity prices and large debt burdens give slow near-term growth</li> <li>Increasing investments and population add to growth</li> </ul>	4.4	5.2	4.8	4.9	5.2

**Note:** GDP forecasts from IMF Outlook January 2015 update. \* =1990-2007 average. Global growth at PPP rates (Purchasing Power Parity (PPP) exchange rates help to minimize misleading international comparisons that can arise with the use of market exchange rates).

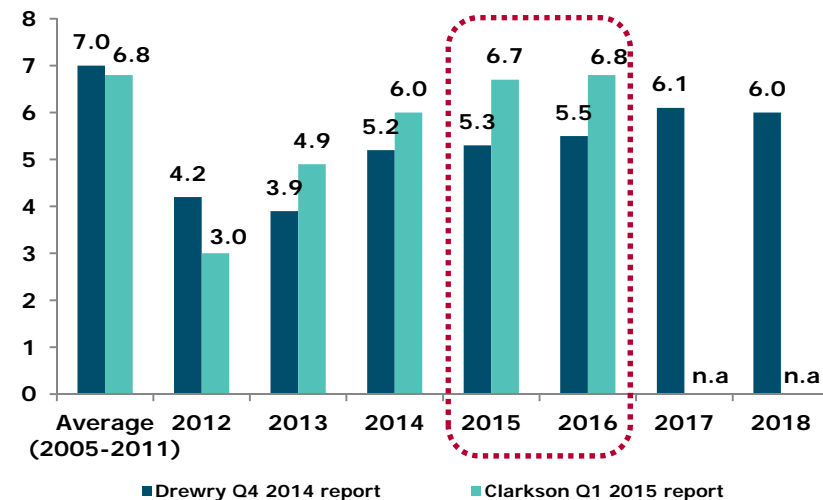
**Source:** IMF, bank reports

# Container demand picked up in 2014 and is expected to improve slightly further in 2015 and 2016

## Improving container demand...

- Global container growth has strengthened since 2012
- Slowly increasing continued container growth in 2015 and 2016 – in line with GDP growth
  - Growth in 2015 between 5.3-6.7%
  - Growth in 2016 between 5.5-6.8%
  - Stable growth at around 6% in 2017-2018
  - Annual global demand growth of 5.3-6.7% is still lower than the 2005-2011 average, and growth will not be uniform across all regions

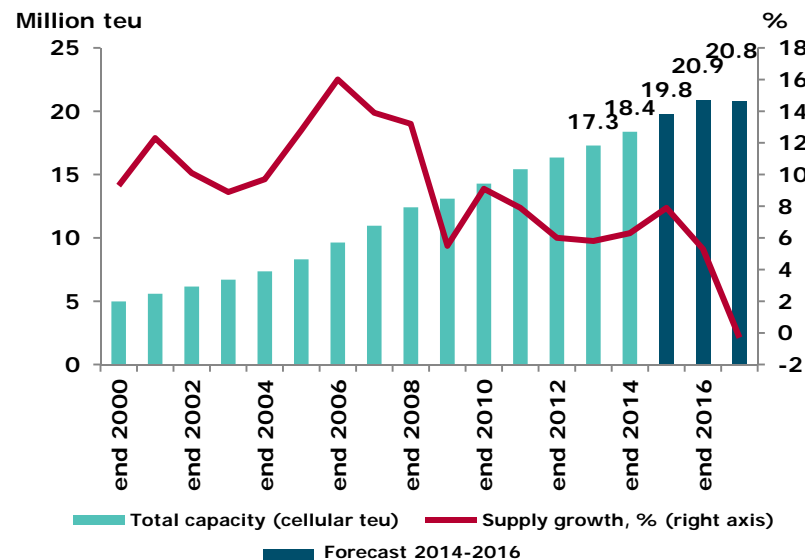
## ...but 5.3-6.7% growth is still lower than the 2005-2011 average of ~7%



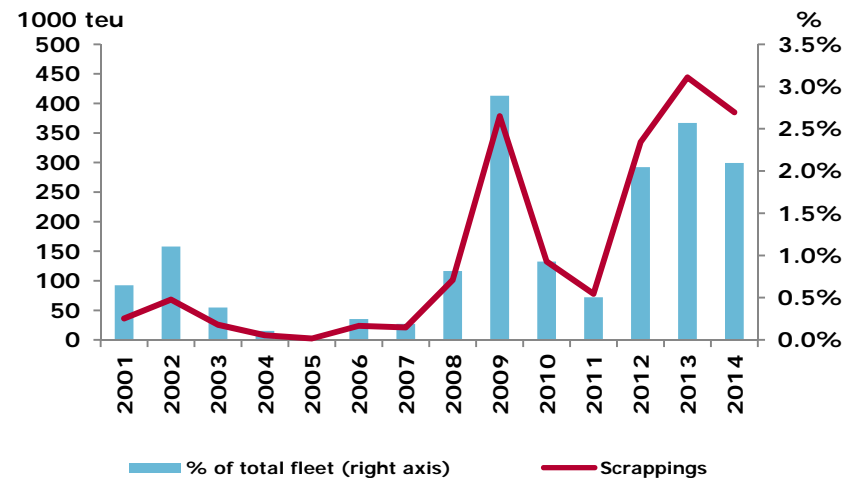
Source: Drewry Q4 report (Dec 2014), Clarkson Q1 report (Feb 2015). Only Drewry forecasts growth until 2018

# Overcapacity remains a challenge as container capacity has outgrown demand for many years

Container capacity forecasted to grow by 7.9% in 2015 and 5.3% in 2016



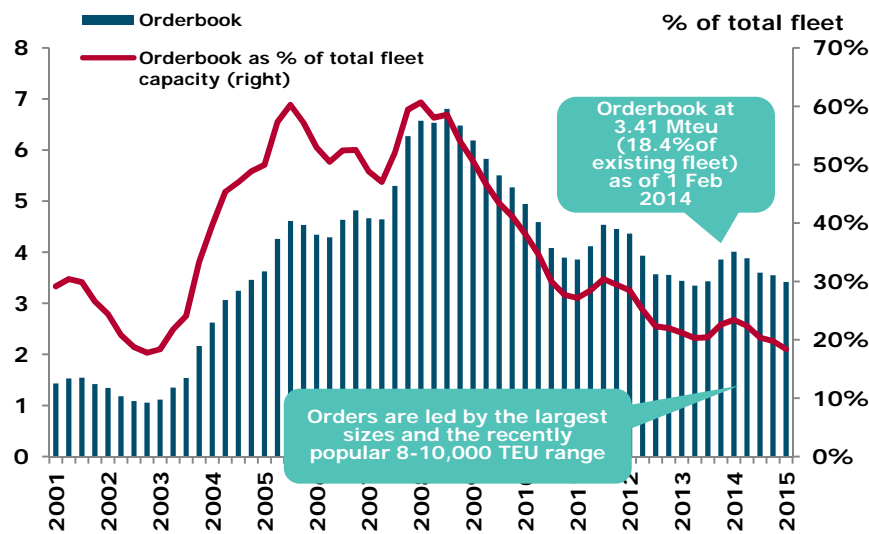
...Scrappings continue to be high at ~2% of total fleet



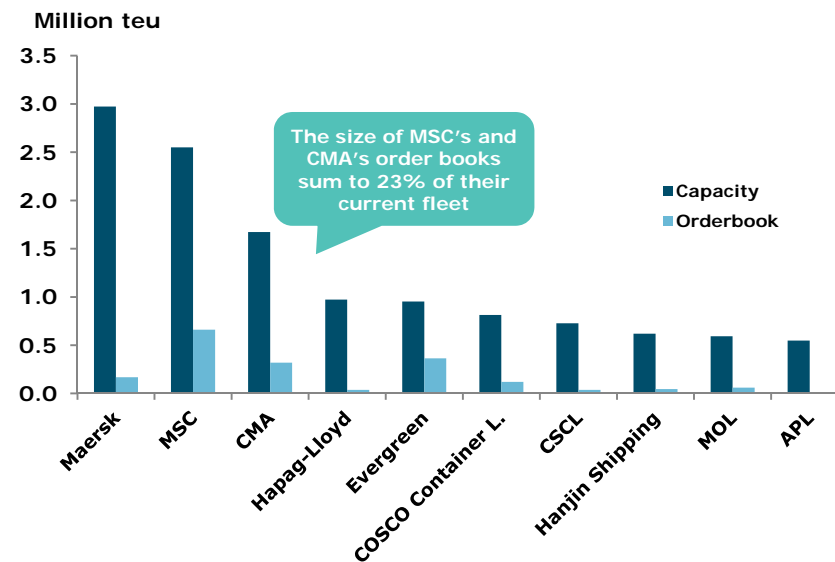
Source: Alpaliner, Clarkson

# Despite a large S/D gap, carriers continue to order ships in quest of economies of scale

**Global orderbook continues to be approximately 18% of existing fleet**



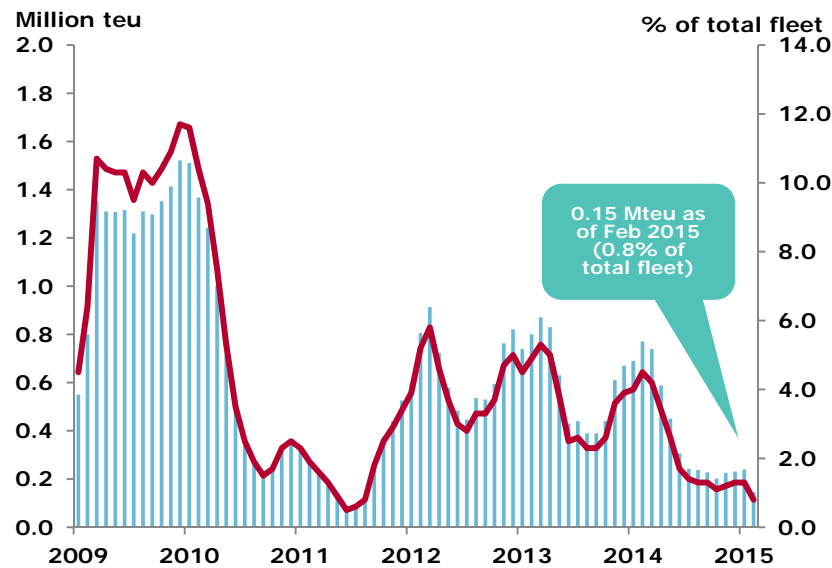
**MSC and CMA have the largest order books**



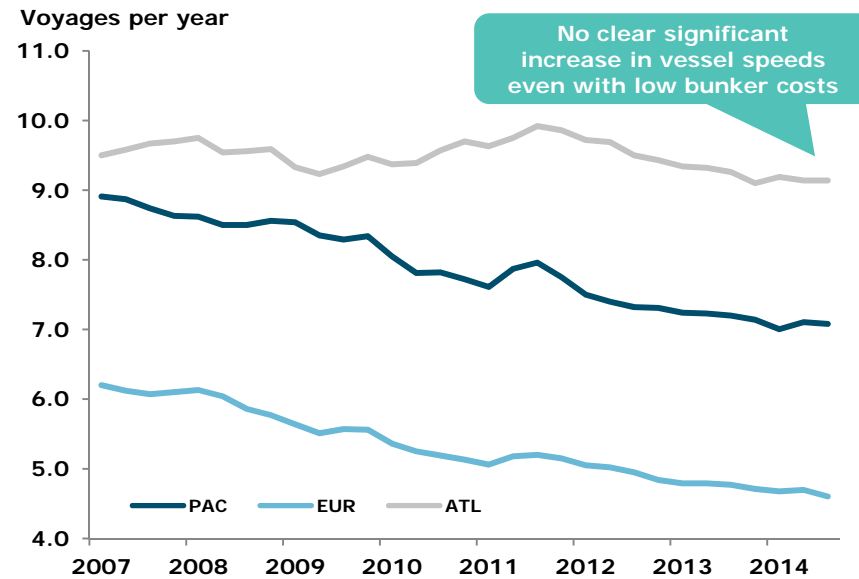
Source: Alpaliner, Clarkson

# Idling and slow steaming are used as measures to reduce the S/D gap

Idle fleet has inched down because of high scrapping and problematic US WC port congestions

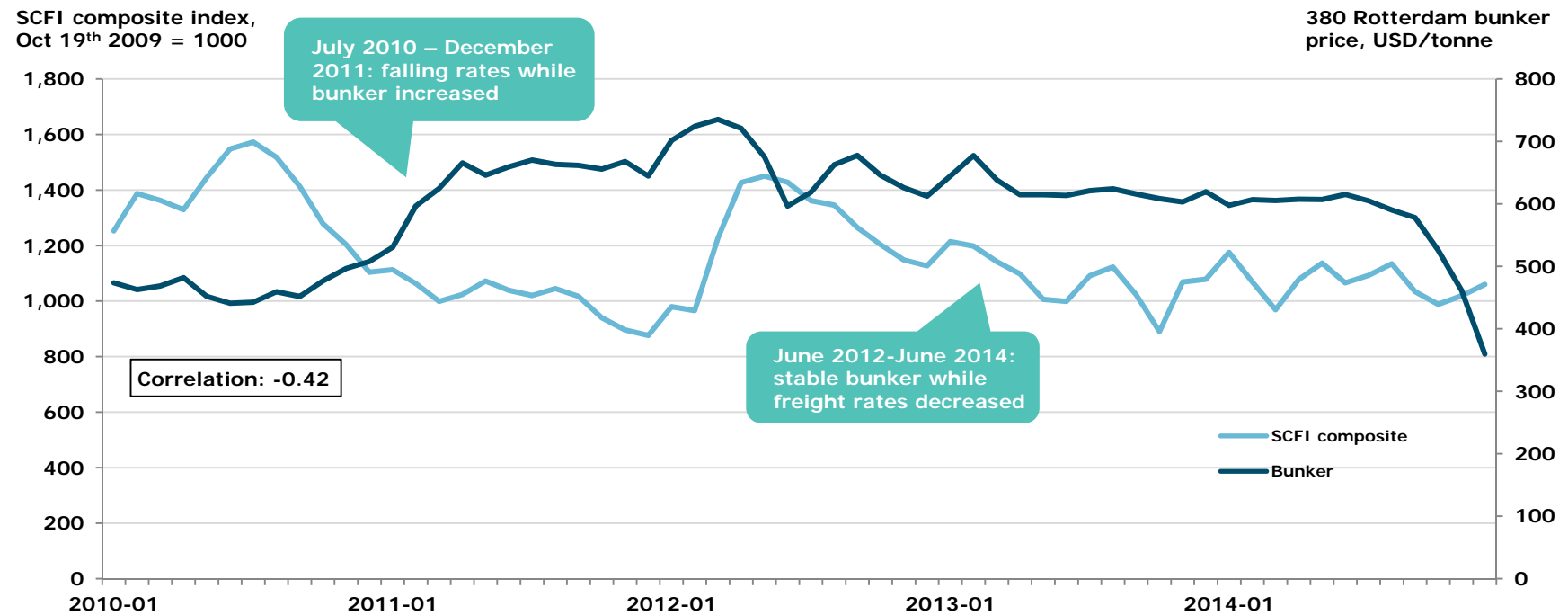


Slow steaming remains an important tool on the longer HH trades



Source: Alpaliner, ComPair, Clarkson

# Volatility in bunker prices has no direct bearing on freight rate

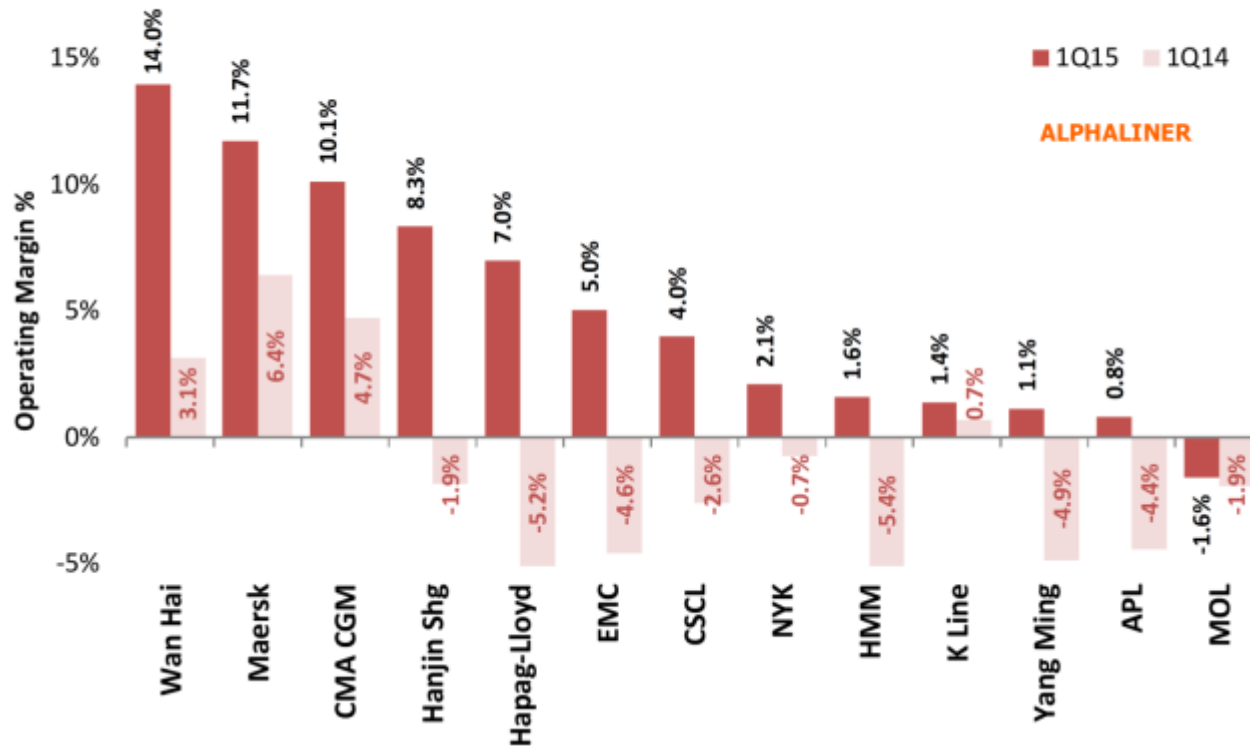


**Note:** The SCFI composite index is a spot rate. The index weighted average of 15 individual shipping routes originating from Shanghai. 180cst bunker prices, Rotterdam  
**Source:** Clarkson



# Lines has started to make money but ...

Main carriers : Operating Profit Margin - 1Q 2015 vs 1Q 2014



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Main carriers : 1Q 2015  
Revenue & Operating profit

In US\$ M	Revenue	Operating Profit
Wan Hai	543	76
Maersk	6,254	732
CMA CGM	4,013	406
Hanjin	1,786	149
Hapag-Lloyd	2,593	181
Evergreen	1,118	56
CSCL	1,262	50
NYK	1,518	32
HMM	1,192	19
K Line	1,457	20
Yang Ming	1,050	12
APL	1,601	13
MOL	1,698	-27



Source : Alphaliner

... the market is still not promising



Due to...

- 49% fall in bunker fuel prices
- Foreign exchange gains from the appreciation of the US dollar against most major currencies

But...

- Average CCFI freight rates have dropped by 12% in Q2
- Bunker prices have increased 11% in Q2
- SCFI spot rates falling by over 30% since February

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## The Customer view – differentiation a solution?



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## Our Industry at a glance

Total value of goods (2012) transported estimated at USD 675bn

During 2014 Maersk Line transported 9,442 million FFE

90% of world trade was last year carried by the shipping industry

Maersk Line served 59,000 customers worldwide during 2014

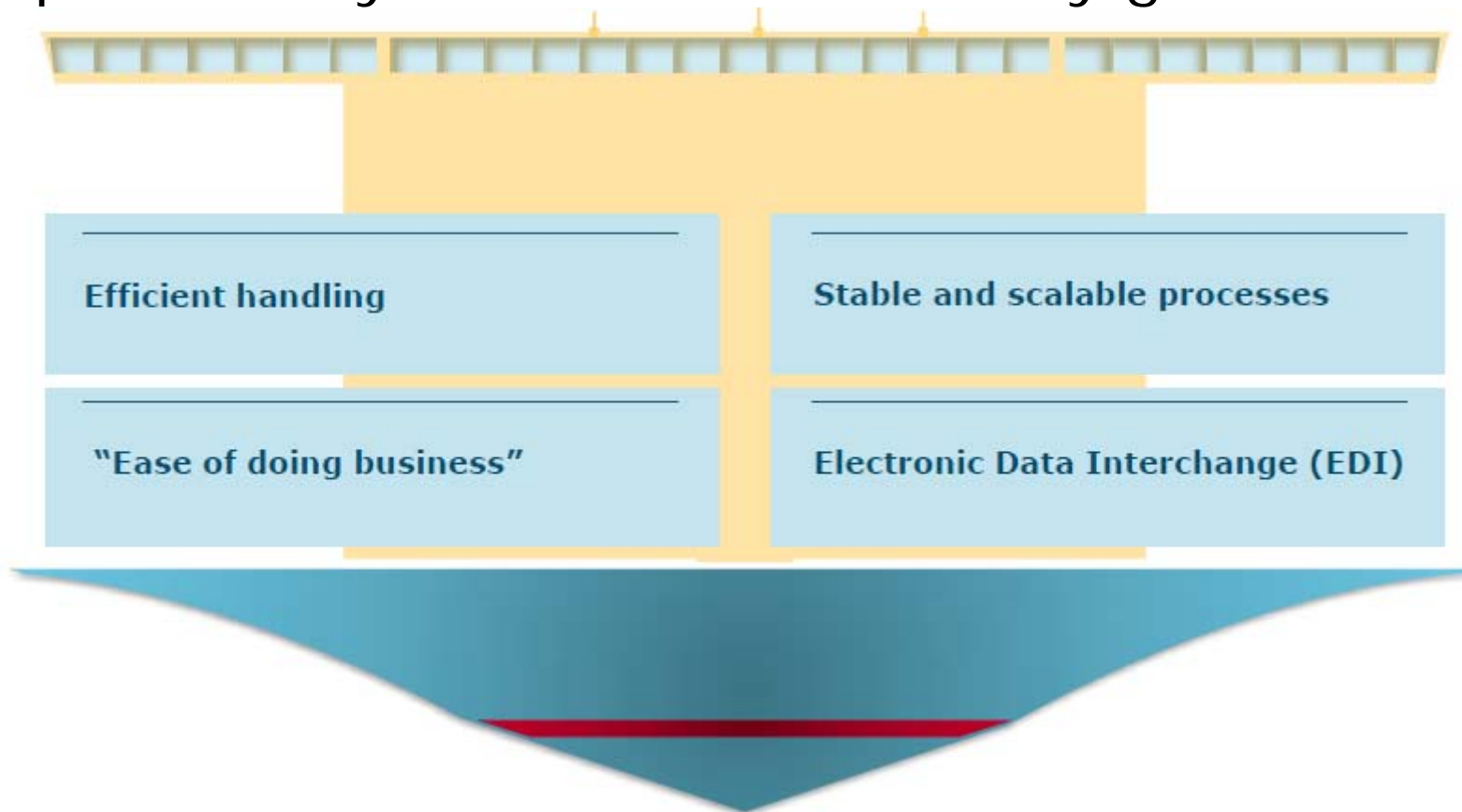
We carried all commodity types – from cars and rice to waste paper and medical equipment



 **MAERSK**  
LINE

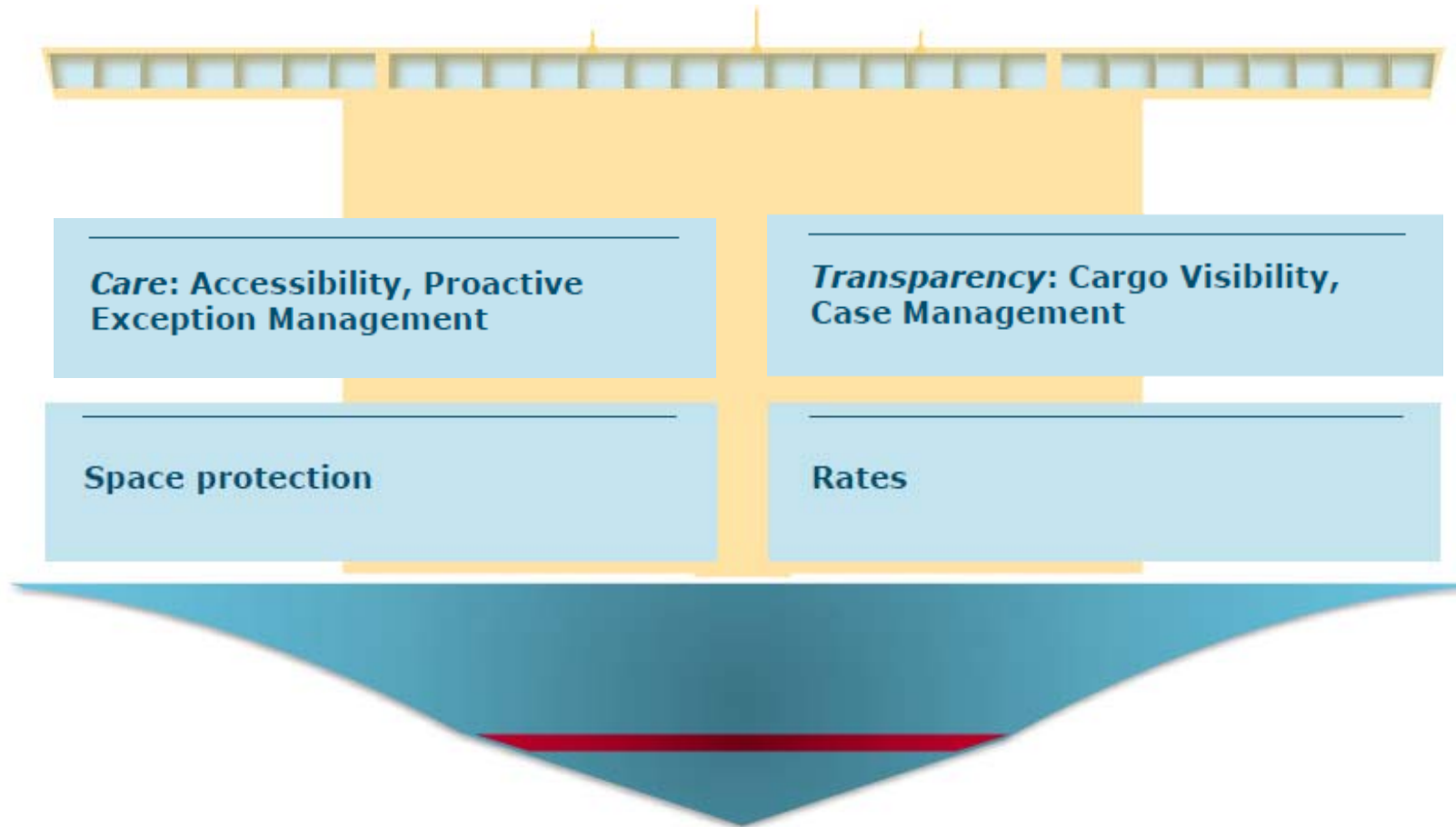
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Forwarders appear increasingly concerned with productivity and focus on efficiency gains ...



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... while some of our BCOs are requesting ...



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Our Customer Charter has helped drive improvement in our service offering since the launch in 2013 ...

Accurate fast documentation in 8hrs with 95% accuracy

99%
97%

94% invoicing accuracy

93%
89%

Resolution of invoice disputes in 5 days

92%
72%

Resolving issues within 12 hours

66%
60%



94% Answering phones within 30 seconds

81%
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99% Documentation amendments within the hour

76%
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96% 100% booking confirmation within 2 hours

86%
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99% 99% of pre-arrival notifications 24hrs prior to ETA

96%
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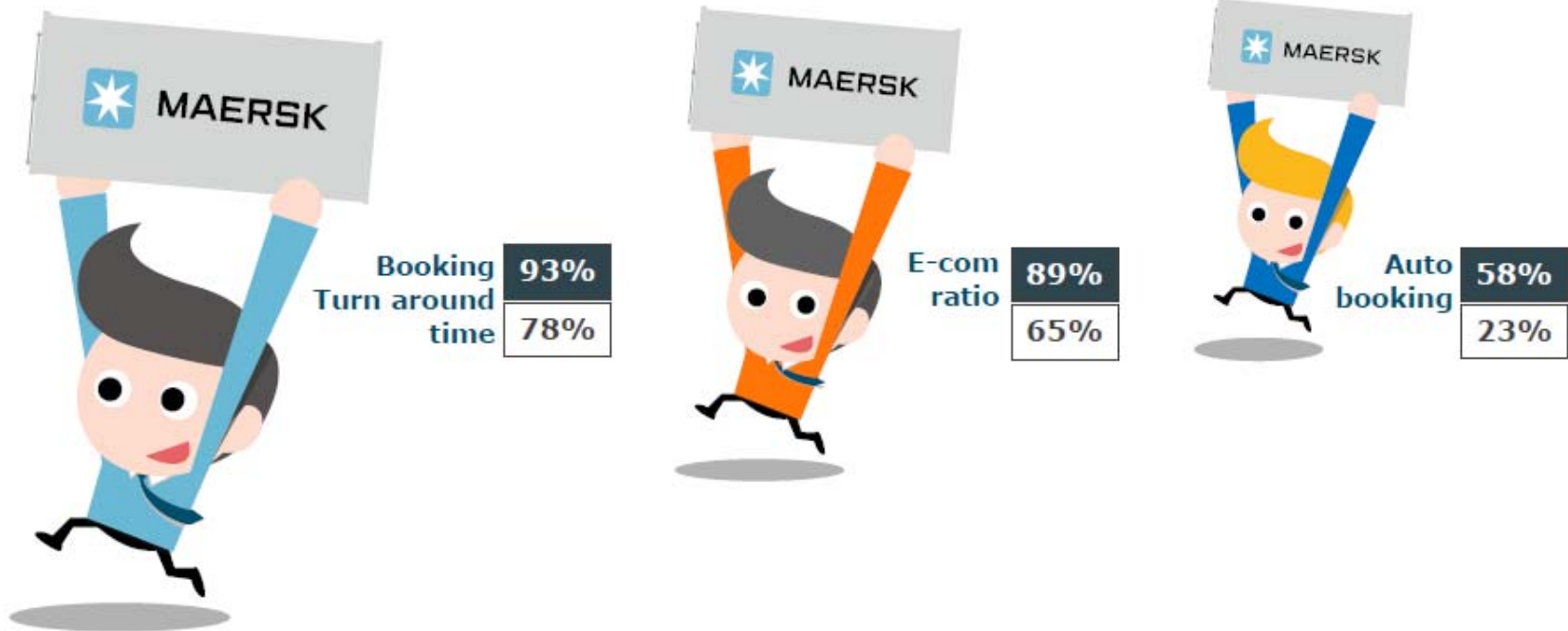
2015

2013

Note: Global customer charter performance data, 2013 – 2015

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... and we are seeing significant interest in bringing the business interaction online



W1 15

W1 14

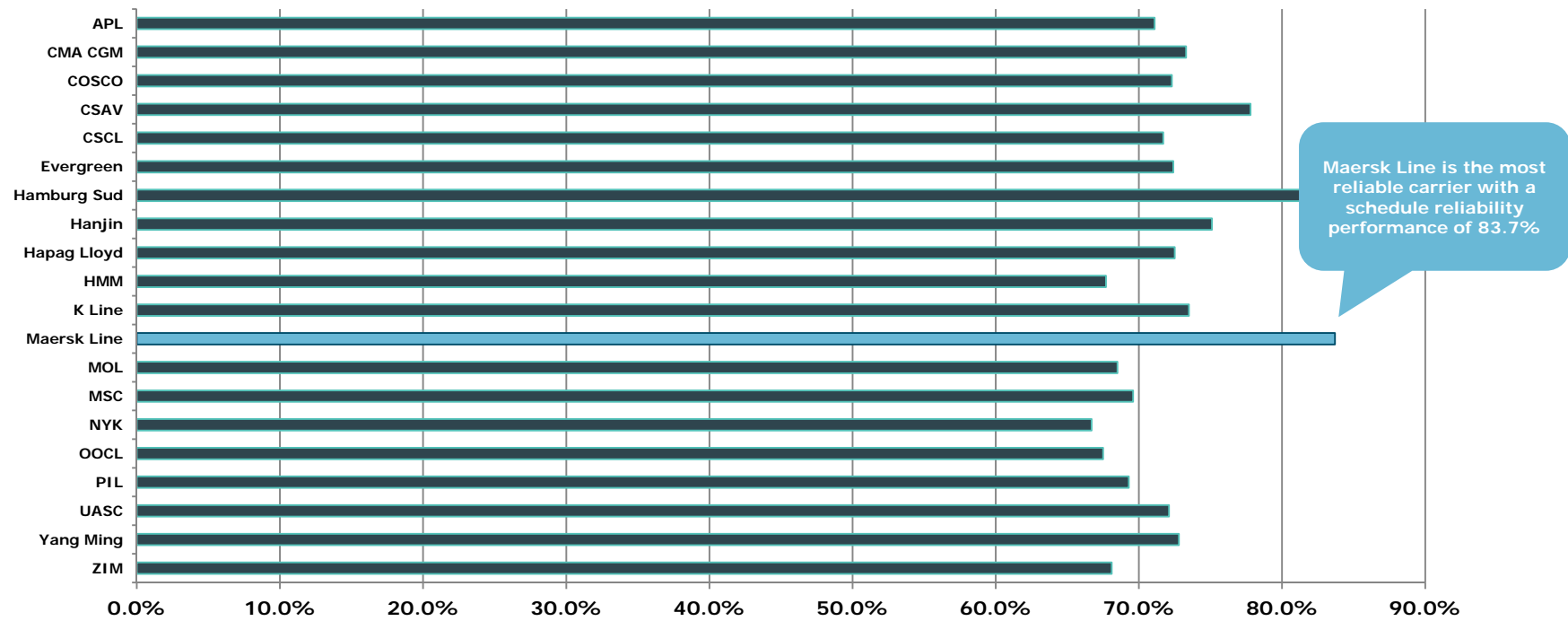
Note: Maersk Line North Europe performance data, 2014 - 2015



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# Reliable carrier

## Global Top 20 Carrier Ranking - FY2014



Source: SeaIntel – Global Liner Performance report – 2014




# Low-impact shipping

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**RAISING THE BAR FOR EFFICIENCY**

Over the past decade, Maersk Line has pushed the envelope for energy efficiency and CO<sub>2</sub> reductions. Today, we have reduced our relative emissions by 40% and are on average more than 10% ahead of the rest of the industry according to global benchmarks.




~ 10%  
ahead of industry

2 1 3

**NEW CO<sub>2</sub> TARGET**

Maersk Line has now set a bold new target to reduce CO<sub>2</sub> emissions per container moved by 60% by 2020 compared to levels from 2007. To achieve the target, average fleet CO<sub>2</sub> performance will have to be below current E-class (15,500 TEU capacity) performance today.



60%



76.9 g CO<sub>2</sub>/km (2007)

30.8 g CO<sub>2</sub>/km (2020)

2007 2020

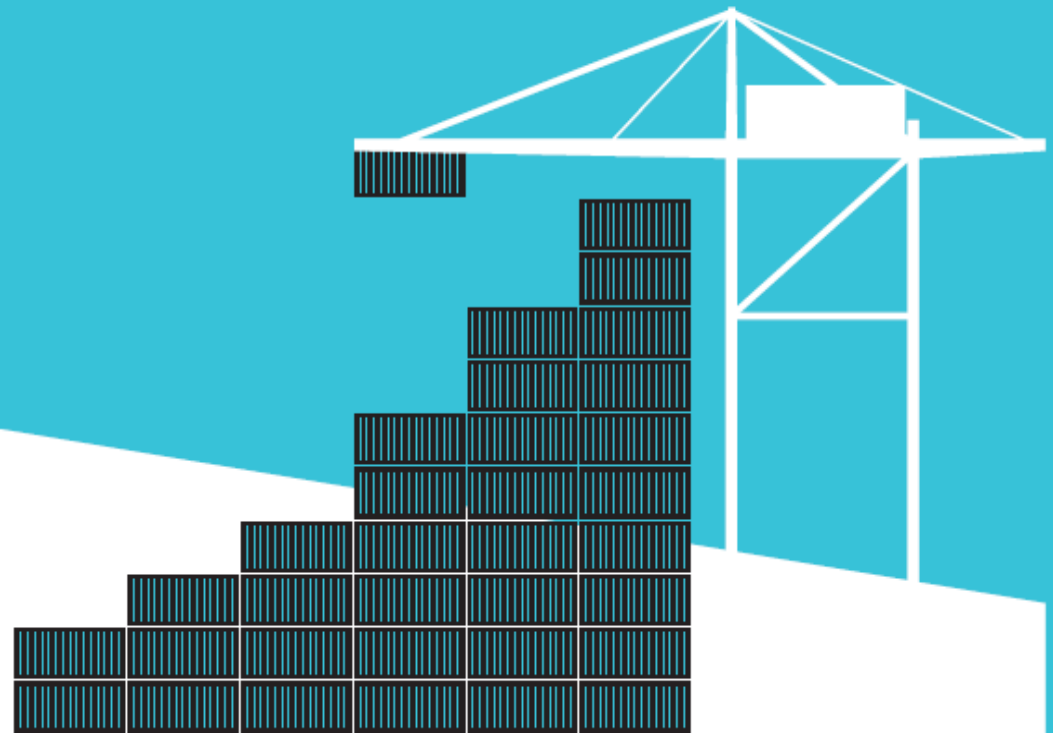


## DECOUPLING GROWTH FROM EMISSIONS

In absolute terms, Maersk Line expects to grow with the market, that is approximately 80% growth in volume by 2020 compared to 2007 while reducing total CO<sub>2</sub> emissions by 40%.

**80% GROWTH  
IN VOLUME**

**40% ABSOLUTE  
CO<sub>2</sub> REDUCTION**



2007

2020

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## In summary

- ❑ A large part of the market is looking for a very basic product, but there is also a significant part of the market where customers have service requirements.
- ❑ That part will be commoditized if we do not work to develop solutions for those customers,
- ❑ And then it will be the carriers' behaviour that commoditizes the industry – not the customers ...
- ❑ We need help from our partners to deliver on our ambitions.....



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